

Business Update>

October 2007/February 2008

HILTON INTRODUCE A DEDICATED PAYROLL AND BOOKKEEPING SERVICE

A common problem encountered in business is access to a competent and professional bookkeeping service. There are many freelance bookkeepers soliciting work, unfortunately in our experience they are frequently incompetent. In particular part-time providers allow work to expand into the time available. Their work may also require expensive correction at year end and during tax enquiries. Businesses also have an eye to cost. Unfortunately low cost and professionalism are uneasy bed fellows.

To try to bridge this gap we have set up a separate division under Ann Finmore. Ann has run her own bookkeeping service for many years but has become aware that operating under the umbrella of a firm of Chartered Accountants gives the necessary back up that is required in the environment of ever changing rules and compliance issues, as well as providing the necessary quality control.

Outsourcing bookkeeping services may in some circumstances be the way forward but it is not always the answer. We would be happy to provide an opinion and costing as to whether we can assist.

BANKING CRISIS – ARE YOUR SAVINGS SAFE?

The current rules, under the Financial Services Compensation scheme, are that the first £2,000 of savings is fully guaranteed and thereafter £33,000 is protected to 95%. This covers each institution. You should check that both the institution and account are covered by the scheme. Spreading savings over several banks may give some peace of mind.

For the purposes of the compensation scheme, banks must be treated as separate Institutions – e.g. Halifax, Bank of Scotland, Birmingham Midshires and Intelligent Finance are all in the same group. So if you were to spread your savings over each of these banks you would only be protected up to £35,000 in total. In addition, where possible, the accounts should be in joint names to allow each individual maximum protection.

SHAREHOLDERS AGREEMENTS – TAX TIME BOMB - TIME FOR A REVIEW

It is good practice to have a shareholders agreement to ensure that on a death the remaining shareholders can acquire the shares of the deceased. If the agreement is correctly drawn up there are no problems, however if the agreement constitutes a binding agreement then the rules for the disposal to qualify for business relief may be compromised. If you are unsure as to whether you are facing this problem we are happy to review such agreements from a taxation point of view.

CHANGES IN CAPITAL GAINS TAX – INCREASE IN PROPOSED RATES OF TAX

Now is the time to consider the proposed changes in Capital Gains Tax. The rules are still not clear but the latest indications are that there will be a lower rate of 10% on Entrepreneurs gains up to a maximum of £1m on lifetime gains, thereafter a rate of 18% will apply. Those with non business assets look likely to benefit from the proposed new tax rate of 18%. For a complete review and for advice before 5 April 2008 – please contact us.

FOREIGN WORKERS

A timely reminder is that the employer (the proprietor, partner or director) is legally responsible for ensuring that all employees have the right to work in the UK. An EEA passport and NI number are a good indication but otherwise the HMRC website should be consulted for full details: <http://www.hmrc.gov.uk/employers/workers-from-abroad.htm>. It is a criminal offence not to follow these procedures.

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Business Update >

PERSONAL LIABILITY FOR EMPLOYMENT DISCRIMINATION

Where a director (or other individual) has knowingly aided the discretionary acts of other employees they can be held personally liable for damages arising from that discrimination. This discrimination can include paying workers different rates for the same job, pregnant employees, etc.

Hilton's clients have access to a free Employment Law helpline as part of their Professional Fees insurance which provides the comfort that they can (and should) consult the helpline in any cases where there is a concern. Discrimination actions can be very vicious and can be started by disgruntled (rightly or wrongly) employees often funded by a union or contingency lawyer. The potential for personal liability can therefore be a real possibility and all employers and all those responsible for employees should be acutely aware of the potential risks.

FINANCIAL AID

We have recently become involved with a number of Development Agencies offering financial assistance for small businesses. Likewise we have also completed a number of loans under the Small Firms Guarantee Scheme.

With increasing credit restrictions and the general outlook, it is time to ensure that businesses are financially secure and while many banks may not promote SFGL's they are available and should be sought out. The prospect of a difficult few months should encourage all those in business to review their affairs and so ensure that their businesses have secured adequate finance for their projects, that they are not making excessive demands in the ability of their businesses and that they regard cash flow as of paramount importance and not just let the creditors take the strain – particularly statutory creditors.

The New Year is always a good time to review your business and this year it seems as though it could be more pressing. Having a proactive accountant is a way of taking that essential step back from the coal face and we are happy to provide that service.

NON DOMICILED AND UK TAX RESIDENT

There is no doubt that the new rules relating to those who up until now have benefited from the remittance basis of taxation will be implemented from April 2008. It is therefore essential that such taxpayers plan their strategy now and so they will have to make a choice between declaring their worldwide income for taxation purposes or making the £30,000 payment. A good deal of planning will be required to ensure that some benefits are retained under the proposed new regime and we are happy to assist individuals with such a review.

PLANNING FOR THE END OF THE TAX YEAR

With only 2 months to go – we are attaching a simple aide memoir listing the basis of reviewing personal tax positions before 5 April 2008. For more detailed assistance – please contact us to make an appointment.

If any of these issues raise any cause for concern, I would be happy to review matters with you. If you would care to call my office to arrange a mutually convenient appointment – I would be pleased to meet with you.

Ben Warren